

Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON PRIORITY

UNCLAS STATE 240980

E.O. 11652: N/A

TAGS: EAIR, UK

SUBJECT: CIVAIR: US-UK CIVIL AVIATIONS RELATIONS -
US ASSUMPTIONS PAPER

1. EMBASSY IS REQUESTED TRANSMIT TO UK DOT SOONEST US
ASSUMPTIONS PAPER TEXT OF WHICH FOLLOWS IN PARA 2.
EMBASSY SHOULD EXPLAIN THAT US SIDE WILL PROVIDE SPECIFIC
NUMBERS WHEN THEY BECOME AVAILABLE AND IS PREPARED TO
MODIFY ASSUMPTIONS IF THE NUMBERS MAKE THAT NECESSARY.

2. GUIDELINES TO FORECAST RESULTS OF UNITED STATES-
UNITED KINGDOM SCHEDULED SERVICES 1977-81 UNDER CONTINUED
BERMUDA REGIME:

I. DATA SOURCES AND APPLICATION

(A) DATA SOURCES: CAB RECORDS, INCLUDING TICKET
ORIGIN AND DESTINATION AND SERVICE SEGMENT DATA, US IMMI-
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GRATION AND NATURALIZATION SERVICE RECORDS, IATA STATISTICS

BUREAU OF THE CENSUS TRADE DATA, PUBLISHED CARRIER SCHEDULES, ICAO TRAFFIC FLOW, AIRPORT STATISTICS, U.S. DEPT OF COMMERCE SURVEY OF CURRENT BUSINESS (FOR TOURISM DATA), OTHER TOURISM DATA, AND OTHERS.

(B) BASE YEAR: CONSTRUCTED BASE YEAR OF 1976 WILL BE PROJECTED FROM LATEST AVAILABLE DATA.

(C) TRAFFIC DATA:

(1) US AND BRITISH AIRLINES--SCHEDULED SERVICE REVENUE TRAFFIC, EXCEPT MAIL, PICKED UP OR DISCHARGED AT POINTS IN THE TERRITORY OF OTHER PARTY AUTHORIZED BY THE BILATERAL AGREEMENT (FLIGHT ORIGIN AND DESTINATION ON ROUTES AUTHORIZED).

(2) THIRD COUNTRY AIRLINES--SCHEDULED SERVICES REVENUE TRAFFIC, EXCEPT MAIL, PICKED UP AND DISCHARGED BETWEEN POINTS IN THE UNITED STATES AND THE UNITED KINGDOM.

(D) AIRLINE YIELD AND COST DATA: AVERAGE US AIRLINE YIELD AND COST DATA REPORTED TO THE CAB FOR THE PACIFIC AND ATLANTIC AREAS WILL PROVIDE THE MAIN SOURCE. APPROPRIATE TECHNIQUES WILL BE USED FOR THE CARIBBEAN. THE SAME DATA WILL BE APPLIED TO BRITISH AND THIRD COUNTRY AIRLINES, ADJUSTED FOR BRITISH AIRLINES TO REFLECT DIFFERENCES IN THEIR TRAFFIC PROFILES, THEIR EXTENSIVE EUROPEAN NETWORK AND THE BRITISH DELEGATION'S STATEMENTS THAT THEIR AIRLINES COSTS ARE LESS THAN THOSE OF THE US AIRLINES.

(E) ANALYSIS WILL TAKE INTO ACCOUNT RESULTS FOR CALENDAR YEARS 1971-75 WHERE PERTINENT TO FORECASTING. SEASONALITY WILL ALSO BE TAKEN INTO ACCOUNT WHERE PERTINENT.

II. ECONOMIC CONTEXT ASSUMPTIONS

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A. MAJOR ECONOMIC ASSUMPTIONS

ASSUMPTION

1. A GENERAL MODEST IMPROVEMENT IN WORLD ECONOMIC CONDITIONS.

2. A CONTINUATION OF INFLATION.

CATEGORY

B. TRAFFIC GROWTH RATE

ASSUMPTION

1. CONSTRUCTED BASE YEAR OF 1976 WILL BE PROJECTED FROM LATEST AVAILABLE DATA.
2. ATLANTIC PASSENGER FORECASTS FOR 1977-81 WILL BE AT THREE GROWTH RATES (4, 7, 10 PERCENT). PACIFIC AND CARIBBEAN GROWTH RATES TO BE PROVIDED LATER.
3. BRITISH AIRLINES' RESULTS WILL BE ADJUSTED TO REFLECT THEIR CARRIAGE OF US-UK SECTOR TRAFFIC ON SECTORS BEHIND UNITED KINGDOM POINTS.
4. CARGO REVENUES WILL ACCOUNT FOR A SLIGHTLY HIGHER PROPORTION OF TOTAL REVENUES THAN IN 1975.
5. THIRD COUNTRY AIRLINE SHARE WILL INCREASE SLIGHTLY FROM 1975.

CATEGORY:

C. ROUTES

ASSUMPTION

1. THE US-UK NETWORK IN PLACE WILL NOT CHANGE SIGNIFICANTLY. SOME ALLOWANCES WILL BE MADE FOR ADDITIONAL UNCLASSIFIED

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NEW SERVICES BY US AND UK AIRLINES.

CATEGORY:

D. AIRLINE COSTS

ASSUMPTION

FACTOR PRICES WILL INCREASE AT THE GENERAL INFLATION RATE, EXCEPT FOR FUEL COSTS WHICH WILL BE AT A HIGHER RATE.

CATEGORY:

E. CAPACITY AND EQUIPMENT

ASSUMPTION

THERE WILL BE A GRADUAL INCREASE IN FLEET EFFICIENCY
IN SO FAR AS THERE IS INCREASED USE OF WIDE-BODIED
AIRCRAFT.

CATEGORY:

F. AVERAGE FARE AND RATE LEVELS

ASSUMPTION

US AND UK FARE AND RATE FORECASTS WILL BE AT TWO
RATES: (A) AT THE RATE OF INFLATION; AND (B) AT A RATE
SLIGHTLY LOWER THAN THE RATE OF INFLATION.

CATEGORY:

G. PRICE ELASTICITY OF DEMAND.

ASSUMPTION

THREE ESTIMATES OF PRICE ELASTICITY WILL BE CON-
SIDERED: (1) UNIT ELASTICITY, I.E., ZERO; (2) A RANGE
LESS THAN ONE FOR BUSINESS TRAFFIC; AND (3) A RANGE
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GREATER THAN ONE FOR PLEASURE TRAFFIC.

III. ECONOMIC RESULTS FOR EACH YEAR BY MARKET AREA AND
AGGREGATE FOR 1977-81 IN ABSOLUTE TERMS AND RATE OF
CHANGE FOR EACH FORECAST RANGE

FOR AIRLINES.....TOTAL...US...UK...3RD CNTRY

--RTM'S

--ATM'S

--RPM'S

--ASM'S

--REVENUES

--SEAT FACTOR

--NET OPERATING PROFIT

--RATE OF MARKET GROWTH (RPM'S,
RTM'S AND REVENUES)

FOR CONSUMERS

--AGGREGATE PASSENGER FARES

PER TRAVELER

--AGGREGATE CARGO CHARGES PER

'ON MILE

--INCREASE OR DECREASE IN
TRAVELERS DUE TO GROWTH TRENDS
--INCREASE OR DECREASE IN
TRAVELERS DUE TO CHANGES IN
FARES

--QUALITY OF SERVICE
--EFFECTS ON CHARTER
OPPORTUNITY

TOURISTS/COMMERCIAL BENEFITS
--EARNINGS FROM AVIATION
TOURISM
--EMPLOYMENT FROM AVIATION
TOURISM
--IMPROVEMENT IN COMMERCIAL
OPPORTUNITIES DUE TO
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AVIATION LINKS

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